Economic Interests and the European Union: A Catalyst for European Integration or a Hindrance?

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This special issue of *The British Journal of Politics & International Relations* focuses on the role of economic interests in European integration. Economic interest groups are defined as representative associations that pursue—as their overriding objective—the material economic interests of their members. They include peak and sectoral business associations, trade unions, professional associations, farmers’ unions and associations representing small-scale businesses, shopkeepers and tradespeople. Economic interests can also include individual companies that lobby governments directly. Groups that represent political actors which do not focus explicitly on the material interests of their members and economic goals would be excluded from this definition: for example, women’s groups as well as non-governmental associations that focus on environmental or human rights issues.

Existing studies of the role of economic interests in European integration fall into one or more of four camps, none of which has entered into a sustained analysis of the role of all major economic interests and European integration. First, there are studies where the role of economic interests is part of and is seen in terms of a particular theory or analytical approach that makes broader claims about European integration. Andrew Moravcsik (1998), notably, examines a limited range of economic interests in the context of his liberal intergovernmentalist study and understands national policy formation in terms of competing economic, and principally business, interests. Neo-functionalists emphasise the role of interests that operate supranationally and independently of the activities of national governments to shape EU-level policy developments. For neo-functionalists, economic interests proactively support the successive integration of various sectors of the economy in order to diminish the transaction costs created from the cross-border movement of goods, services, capital and people. Neo-Gramscians (van Apeldoorn 2002; Bieler 2001) focus upon the pro-integration role of transnational business and financial interests and the complex positioning of trade unions.

In the second camp, there are studies of a broad range of interest groups operating at the EU level but not economic interests per se. Justin Greenwood and Mark Aspinwall’s (1998) edited volume explores EU-level policy-making as a collective action problem involving various interests. Greenwood (2007) has undertaken the
most comprehensive study to date on interest representation and EU-level policy-making. In the third camp, there are studies that are focused upon a particular kind of economic interest (and principally with regard to EU-level policy-making)—notably there is a growing body of literature which focuses specifically on the lobbying activities of business groups at the EU level (Coen 2002 and 2004; Greenwood 2007). In the fourth camp, there are studies that explore preference formation and the role of one or more economic interests in national-level policy-making (in one or several countries) on EU policy developments. These studies almost always focus upon a single policy area. Numerous examples can be provided from the political studies literature on Economic and Monetary Union (EMU). Leila Talani (2000), Amy Verdun (2000) and Jeffrey Frieden (2002) examine the positions of a variety of economic interests in important EU member states on EMU. Daphné Josselin (2001) and Andreas Bieler (2006) centre their analyses more specifically on the policy positions on EMU of trade unions in a limited number of member states.

The objective of this special issue is to bring together recent analyses of the role of economic interests in various areas of EU policy and European integration more broadly (via national preference formation and/or EU-level policy-making). In their articles, the participating authors have been called upon to focus critically on the role of economic interests in the context of their analyses of specific EU-level policy and legal developments. The six articles take varying approaches to the direction of causality in the interest group–state–EU nexus. Economic interest groups shape the EU and the national interest of its member states but the EU and its member states also shape the opportunities facing economic interest groups. There is an inevitable risk involved in parsimoniously reducing economic interests (their preferences) to the independent variable (as in Frieden 2002) without treating the often crucial role of national and EU-level intervening variables. Thus the four articles of the special edition (by Quaglia, Leblond, Dür and Bieler) that treat the preferences of economic interests as an independent variable do so critically, while taking into account the relevance of other intervening variables. The articles by Bieler and Hennessy treat the preferences of economic interests on EU-level policy developments as an intervening variable, reflecting structural economic variables and national policy frameworks. Smith’s article explores the influence of economic interests—qua concentrated interests—as a dependent variable determined by the structures of the EU policy-making process.

In light of the contributions to this special issue, the influence of economic interest groups on national policy-making seems to be case specific and circumstantial. Certain economic interests (for example, pension funds) are so influential that some of them become almost inseparable from the state. However, economic interests are less likely to become influential when broad institutional questions are negotiated, rather than specific rules with a clear cost–benefit balance. And it is especially when they feel challenged by the state that they turn their efforts to EU-level lobbying. The record of economic interest groups in EU policy-making appears also to be mixed. They are influential when they enjoy privileged institutionalised interactions with a policy-making node, such as European Parliament (EP) committees. However, access to the EP has recently become less privileged and institutional advocacy has become more contested, to the disadvantage of interest
groups. Many economic interest groups actually obstruct the legislative process with seemingly inconsistent behaviour: they are in favour of European integration in general, but end up lobbying against concrete pieces of legislation if they are costly to them. However, when it comes to the EU’s external trade policy, economic interest groups appear to call the shots.

In his article, Patrick Leblond argues that the behaviour of many economic interest groups appears inconsistent. They are in favour of European integration in general, but end up lobbying against concrete pieces of legislation if they are costly to them. Thus, economic interest groups may actually obstruct the EU legislative process. The preferences and activities of private economic interests explain progress as well as stagnation in European economic integration. When integration advances it is an alleged testimony to the hands of interests that press governments to harmonise laws, regulations and standards, in order to reduce the costs of cross-border transactions. When integration does not proceed it is presumably because governments yield to economic interests that expect to lose out because they face greater adjustment costs to the new rules. However, Leblond argues that the fate of European integration is not only decided by a struggle between competing interests, but is plagued by a seeming inconsistency in the behaviour of economic interests. In many instances these interests derail attempts to harmonise rules and standards across the EU which they initially supported.

Leblond asserts that this seeming inconsistency is a result of uncertainty on the part of economic interests with regard to the costs and benefits of integration. This uncertainty engulfs EU integration proposals at their preliminary stage, but once the Commission has tabled a draft piece of legislation this ‘fog’ lifts and the terms of integration become more concrete. At this point certain groups realise that the proposed legislation is not beneficial to them. Thus, they turn against it or lobby for amendments and exceptions, even if they initially supported integration in this particular policy area. If the adjustment costs outweigh the lobbying costs and enough of these interests mobilise and lobby against the proposal, then it is likely to fail.

Leblond defines two forms of integration failure. Direct integration failure occurs when a proposed piece of legislation is eliminated, such as the Software Patent Directive, which the EP rejected in July 2005. Indirect integration failure takes place when the adopted legislation contains so many loopholes that it ends up formalising the status quo, such as the Takeover Directive, which the EP adopted in December 2003 with some key amendments. Leblond expects direct failure when private economic interests polarise transnationally on a given policy issue, and indirect failure when interests polarise on a national basis.

Leblond’s analysis raises a number of interesting implications. First, economic interests may support greater integration in principle but not promote it actively. Second, the actual impetus for integration may come more from a policy entrepreneur, such as the European Commission, than from interest groups. Finally, the potential for direct failure of integration suggests that in many policy areas where there exists European legislation, the degree of integration may be more formal than substantial.
Andreas Dür argues that economic interest groups determine much of the EU’s external trade policy. Several existing accounts of the making of EU trade policy stress the relatively large independence of decision-makers from societal interests. The argument is that the transfer of policy authority to the European level increases economic interests’ uncertainty about who decides and what is being decided, and thus enhances the autonomy of public actors in shaping EU trade policies. This insulation, so the argument goes, was intended to strengthen the state vis-à-vis society (the collusive delegation argument), and explains the shift from protectionism to liberalisation witnessed since the 1960s. The autonomy that decision-makers gained as a result of delegation ostensibly allowed them to promote the interests of the general public against the resistance of protectionist forces.

However, Dür contests these assertions, maintaining that little empirical research has been undertaken to support them, and that the few studies of interest group involvement in EU trade policy-making report ambiguous results. Dür studies the EU’s participation in two episodes of world trade talks—the Kennedy Round (1964–67) within the framework of the General Agreement on Tariffs and Trade (GATT), and the Doha Development Agenda (2001 onwards) of the World Trade Organisation (WTO). In both cases he expects that the preconditions were ideal for collusive delegation to work, and consequently, that on at least some issues public actors overrode opposition from societal interests when pushing for trade liberalisation. However, he finds that on the contrary, the EU’s negotiating position was consistent with the demands voiced by both broad business associations and sectoral groups across a large number of issues. Even in situations in which EU governments have to find issue linkages to come to an agreement, the resulting trade policies tend to be tailor-made to avoid the imposition of concentrated costs on constituencies in any member country.

Dür confesses that his research cannot establish that economic interests actually determine EU trade policies, but he identifies a few factors that indicate the influence of domestic actors in shaping these policies. Economic interests enjoy excellent access to decision-makers in trade issues, and indeed consider themselves to be influential. Furthermore, it is difficult to explain the similarities between the EU’s negotiation position and societal demands without recourse to economic interests-based explanations. All of this amounts to ‘circumstantial evidence’ against the collusive delegation argument and in favour of the importance of domestic input into European trade policies. Dür’s conclusions suggest that the EU liberalised trade not because it is a ‘good policy’, but because exporters, importers and retailers pushed for openness. This raises concerns about the legitimacy of the EU’s trade policy, if various interests are unequally represented.

Lucia Quaglia finds that interest groups have less influence when broad institutional questions are negotiated as opposed to specific legislation with a clearer cost–benefit balance. Regulation and supervision of financial services in the EU has become one of the most active areas of EU policy-making, undergoing significant change between 1999 and 2005. During this period the Lamfalussy framework was negotiated and implemented, the non-legally binding Basel 2 agreement was negotiated with non-EU member states and then the content of Basel 2 was incorporated into EU legislation through the Capital Requirement Directive (CRD).
Quaglia examines how the preferences of financial interest groups shaped the national input of the UK and Germany into EU and international policy-making processes and the final output in these three reforms. The UK and Germany are the two countries with the largest financial sectors in the EU, and have played crucial roles in the three reforms under consideration. Moreover, these two countries experienced important institutional and policy changes in financial service regulation and supervision in 1998 and 2002, respectively.

Quaglia finds that financial interests are more involved when specific rules are negotiated and are more influential when the domestic distribution of power gives them preferential access to policy-makers. In contrast, financial interests have little interest in broad institutional questions. Thus, whenever the policy discussions concern institutional issues, such as supranational delegation and scope of governance, bureaucratic preferences are more powerful in defining the national position in international and EU fora.

Quaglia admits that extrapolating these findings to other policies can be difficult, because the financial sector has traditionally been regarded as influential in policy-making, and because public authorities value the expertise, data gathering and first-hand experience provided by the industry, which strengthens its influence. Most financial interest groups are also at least partly foreign-owned and thus are not purely national. This distinguishes them from many other industries. However, Quaglia’s findings support the notion that public authorities do not define the national interest and policy input independently of the preferences of financial interest groups.

Mitchell Smith finds that economic interest groups are influential in the EU legislative process when they enjoy privileged institutionalised interactions with a policy-making node, such as EP committees. The development of EU policy-making is often depicted as a favourable shift in opportunity structures for diffuse interests. The EU institutions, which seek to advance their own interests in deeper integration, are argued both to constitute effective access points and to stimulate the organisation of diffuse interests at the European level. The European Parliament’s Environment Committee (ENVI) has been particularly consequential, delivering the institutional support of the full EP to legislative outcomes more favourable to environmental interests.

However, Smith argues that support from ENVI is no longer guaranteed for environmentalists seeking costly regulations for producers. ENVI helped sustain the EP’s commitment to environmental interests in the case of the End-of-Life Vehicles (ELV) directive, which was adopted in September 2000, but not in the case of REACH, a regulatory framework for the chemicals sector adopted by the EP and Council in December 2006.

Smith argues that the value of an access point for organised interest groups depends on the extent to which they have privileged institutionalised interactions with a node in the policy-making apparatus (asymmetry) and on the extent to which institutional actors in the policy-making process defer to the particular institutional node (deference). Deference to EP committees (the acceptance by EP plenary of committee cues) is less likely when legislation involves a multitude of policy areas and cue givers, and conflict between committees.
ENVI members were able to frame the ELVs issue as a test for the Parliament’s ability to serve as a voice of the public interest and to resist private interests. These appeals invoked the Parliament’s collective interest and sustained deference to the ENVI position in plenary. In contrast, REACH was transformed from a piece of environmental legislation to a measure focused on the competitiveness of Europe’s chemicals sector. In the course of the legislative process, other EP committees were granted enhanced status in generating the committee report for REACH. This opened up critical points of access for organised industrial interests to committees serving as cues to the full parliament, eliminating any asymmetry in favour of organised environmental interests.

Andreas Bieler argues that trade unions turn their efforts to EU-level lobbying when they feel challenged by the state. Trade unions have come under great pressure as a result of monetary integration in Europe, because differences in employment conditions within the EU have become more transparent, and interest rates and exchange rates can no longer be used to prevent lower wages, benefits and social standards. What Bieler sees as EMU’s neo-liberal macroeconomic regime, which is committed to price stability, and the Lisbon strategy, which promotes employment through a deregulation of labour markets, further intensify the pressures on labour. Bieler analyses the position of trade unions on EMU, and the efforts that they direct at the European level to defend the interests of their members. Is it possible that unions in Europe may be part of a future counter-neo-liberal alliance within the EU?

Bieler introduces a neo-Gramscian, critical international political economy (IPE) perspective. He understands labour’s role in the processes of transnational restructuring by conceptualising it as a potential international actor without neglecting specific national institutional set-ups. Applied to a comparative analysis of British and Swedish trade unions, he finds that labour employed in transnational business in both countries was in favour of EMU. By contrast, labour in national-oriented business opposed EMU because of its deflationary bias. However, the views of transnationally oriented labour diverged over the emphasis on European co-operation. British unions with a transnational focus continue to reject neo-liberalism and emphasise developments at the European level. In contrast, unions representing labour in transnationally focused economic sectors in Sweden have started to accept core neo-liberal concepts and rely on their co-operation with transnational capital and the national government. This is explained by the poor access of British trade unions to national decision-makers, and by the improved influence of Swedish unions on policy-making compared with what the EU institutional set-up offers. Thus, Swedish labour is unlikely to be a driving force in any future Euro-Keynesian project before the unions’ influence at the European level develops further.

Alexandra Hennessy takes the approach that certain economic interests are so influential that it is difficult to separate them from the state. She examines the preferences of powerful pension funds as an intermediary variable that reflects national pension systems—Bismarckian and the Beveridgean. Due to unfavourable demographic developments, stretched budgets and swelling non-wage labour costs, the importance of employer-sponsored pensions is growing. Given that cutbacks of
social security pensions tend to be politically toxic, most European governments face mounting pressure to improve access to second pillar pensions. However, labour unions tend to disapprove of the non-egalitarian properties of occupational plans since they do not extend the kind of inviolable social rights that statesponsored pensions provide and may be too easily abused by the sponsoring firm. Legislative activity by the EU on pensions is mounting, and has a major domestic impact on economic interactions between governments, occupational pension plan sponsors and beneficiaries.

Hennessy argues that in 1991 uncertainty about the beliefs of each group of countries, and inability to distinguish Bismarckian states that were able to adjust to EU pension policies from those that did not, resulted in bargaining breakdown. However, EMU raised the costs for Bismarckian states of failure to agree on a single pension market. Thus, the Bismarckian states signalled their costs to their Beveridgean counterparts. As a result, the member states managed to adopt a politically efficient—albeit economically incomplete—pension fund directive in June 2003. Thus, her account shows how the power of labour unions, as reflected in national pension institutions, intervenes between financial globalisation and demographic change on the one hand and EU pension policy on the other.

In the conclusion to this special issue, Amy Verdun examines how the above six articles contribute to our understanding of economic interest groups in the context of European integration. She does this along four themes: (1) the role of economic interest groups in national preference formation; (2) the role of economic interest groups in EU policy-making; (3) the effect of the EU on the economic interest groups; and (4) the role of economic interest groups on the process of European integration.

Based on this examination, Verdun concludes that economic interest groups do not a priori act in favour of European integration, even if they have a general interest in integration. Economic interest groups seek to influence both national and EU-level actors and institutions, but their influence depends on the support that they receive from national governments, on the proximity of the draft legislation to their preferences and on the interest of EU institutions in consulting them on technical standards. Finally, an increasing amount of legislation is made at the EU level and economic interest groups can turn to this policy-making arena to secure their interests.

The articles of this special issue originated as papers submitted to a project of the Political Economy Interest Section of the European Union Studies Association (EUSA), launched at the EUSA’s Ninth Biennial Conference which took place in Austin, Texas in Spring 2005. A workshop, organised by the editors of this special issue, followed in April 2006 at the University of Edinburgh. We are grateful to the British Academy, the University Association for Contemporary European Studies (UACES), the University of Edinburgh and the European Commission for supporting this workshop. Two panels, held at EUSA’s Tenth Biennial Conference in Montreal, Canada in Spring 2007, presented work in progress. The work of several participants in this EUSA Interest Section project cannot be included in this special issue. We nonetheless wish to extend our gratitude for the vital intellectual contribution of these participants to the project over the past two years. Equally crucial.
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Note

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